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Message Text

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47
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SAJ-01 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 AGR-05 DODE-00 PM-04 H-02 L-03 PA-01

PRS-01 /104 W
---------- 025091
R 091350Z SEP 75
FM AMEMBASSY BONN
TO SECSTATE WASHDC 2711
INFO USMISSION USBERLIN
AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
USMISSION EC BRUSSELS
AMEMBASSY HELSINKI
AMEMBASSY LONDON
USMISSION NATO BRUSSELS
AMEMBASSY PARIS
USMISSION OECD PARIS
AMEMBASSY PRAGUE
AMEMBASSY ROME
AMEMBASSY SOFIA
AMEMBASSY TOKYO
AMEMBASSY WARSAW
AMCONSUL HAMBURG

C O N F I D E N T I A L BONN 14672

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: XGDS-1
TAGS: ETRD, EFIN, ENRG, EALR, UR, JA, EEC, FI, GW
SUBJECT: POSSIBLE BUNDESBANK LENDING TO THE SOVIET
UNION.
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REF: MOSCOW 12682

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1. IN REGARD TO PENULTIMATE SENTENCE OF REFTEL, WE THINK THAT THE CHANCES WOULD BE PRACTICALLY NIL OF ANY DIRECT LENDING BY THE GERMAN CENTRAL BANK TO THE SOVIET UNION. AT MOST, BUNDESBANK PRESIDENT KLASEN COULD PROMISE SVESHNIKOV THAT HE, KLASEN, WOULD URGE PRIVATE GERMAN BANKS TO UNDERTAKE FURTHER LENDING TO THE SOVIETS.

2. OUR FINANCE MINISTRY CONTACTS CONFIRM THE IMPRESSION THAT GERMAN PRIVATE BANKS GENERALLY HAVE REACHED OR ARE CLOSE TO THEIR INTERNAL LENDING LIMITS TO THE SOVIET UNION. THESE LIMITS, HOWEVER, ARE INTERNAL MANAGEMENT DECISIONS WHICH COULD BE RELATIVELY EASILY CHANGED, IN PARTICULAR IF SUCH LENDING BEARS LITTLE RISK FOR THE BANKS INVOLVED IN VIEW OF HERMES' GUARANTEES. THE COMMERCIAL BANKS ARE VERY LIQUID AT THE MOMENT AND SHOULD HAVE NO DIFFICULTY FROM THAT SIDE TO MAKE ADDITIONAL LOANS.

3. GERMAN COMMERCIAL BANKS ARE AT THE MOMENT, HOWEVER, VERY RELUCTANT TO UNDERTAKE LONG TERM LENDING SINCE THEY EXPECT LONG TERM INTEREST RATES TO TEND UPWARD. IN ADDITION, ANY LENDING TO THE SOVIET UNION WOULD, OF COURSE, HAVE TO BE ON COMMERCIAL TERMS (EITHER DIRECTLY OR THROUGH ADJUSTMENTS IN THE PRICE OF GERMAN GOODS INVOLVED).
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